Ontario Capital Growth Corporation

2008-2009 Annual Report

Ontario

Ontario Capital Growth Corporation

The Ontario Capital Growth Corporation (OCGC) was established by the Ontario Capital Growth Corporation Act, 2008 and was launched on February 27, 2009. The principal business of the OCGC is to manage the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF).

The Ontario Capital Growth Corporation (OCGC) was established by the Ontario Capital Growth Corporation Act, 2008 and was launched on February 27, 2009. The principal business of the OCGC is to manage the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF).

Mandate

The Ontario Capital Growth Corporation (OCGC or the Corporation) was established by the *Ontario Capital Growth Corporation Act, 2008*. The Corporation's principal activities are to:

- receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP; and,
- perform any additional objects specified by the Lieutenant Governor in Council.

OCGC retains the services of the Ministry of Research and Innovation (MRI) to carry out its daily operations; during fiscal 2008-2009, MRI absorbed these costs however in subsequent years, MRI plans to charge for these services on a cost-recovery basis as applicable. OCGC also receives cash management services from the Ontario Financing Authority (OFA) based on a management fee. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government.

The $205 million Ontario Venture Capital Fund (OVCF) is a joint initiative between the Government of Ontario and leading institutional investors to invest primarily in Ontario-based and Ontario-focused venture capital and growth equity funds that support innovative, high growth companies. Ontario has committed $90 million to the Fund, with the balance coming from partner institutions. The OVCF is structured as a fund of funds with the primary objective of generating attractive returns for its investors. The Fund is managed by TD Capital Private Equity Investors.

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Message from the Chair and President/Chief Executive Officer

We were pleased to launch the Ontario Capital Growth Corporation (OCGC) on February 27, 2009.

The principal business of OCGC is to manage the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF).

We are excited by the prospects for the OVCF going forward. By providing capital to promising Ontario funds, the OVCF endeavours to strengthen the ability of the province's venture capital sector to support innovative, high-growth companies in Ontario by making it easier for them to find the capital, expertise and support they need.

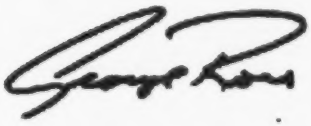
The OVCF has dramatically increased the level of institutional and corporate investments in Ontario venture capital.

During its first year of operations, the OVCF was off to a strong start, announcing a commitment of up to $15 million to Georgian Partners Growth Fund I (Georgian Partners), an Ontario-based venture capital fund focused on expansion-stage companies, including high-potential Ontario companies, in the information technology, information aggregation, and enterprise software sectors.

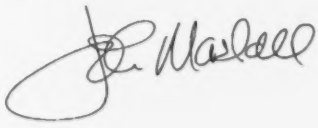
The OVCF made two additional commitments totalling approximately $4.2 million to qualified venture capital funds in accordance with the approved OVCF portfolio guidelines.

Looking ahead to 2009-10, the year is one of significant opportunity. Subsequent to year-end, the OVCF announced that it had made a commitment of $20 million to EdgeStone Capital Venture Fund III (EdgeStone), an Ontario-based venture capital fund focused on early and growth stage Canadian information technology companies. In addition, other provinces have announced new venture capital initiatives that will be key sources of capital that can be committed to venture capital funds seeking other limited partners to co-invest in their funds.

We would like to take this opportunity to thank the members of the Board of Directors for their advice and oversight during the inaugural fiscal year, and look forward to working with them in 2009-10.



George Ross
Chair



John Marshall
President and Chief Executive Officer

Management's Discussion and Analysis

This section details Management's discussion and analysis of OCGC's results in 2008–09 and its objectives for 2009–10, beginning with a review of the venture capital industry.

The Venture Capital Industry

Venture capital (also referred to as risk capital) is a source of capital provided by private or public investors to firms at the seed, early/start-up or expansion stage (pre-IPO stage). Key sources of venture capital (VC) include private and publicly sponsored pools of capital that usually take an equity stake in an investee firm.

Innovative firms need capital and entrepreneurial expertise from investors who are prepared to take on higher risks in pursuit of higher returns.

Companies are most in need of venture capital to survive and prosper during start-up and growth phases. The average survival rate for start-ups is quite low, often because they lack the experience and skills needed to attract and partner with long-term investors.

The economic downturn has affected the availability of capital required by Ontario's emerging, knowledge-based companies to grow and compete in global markets. Venture capital, angel and institutional investors are managing their existing portfolio of investments and are cautious about making new investments into early stage companies.

Venture capital investments in Ontario have declined in recent years after the high-tech investment bubble of 1999-2000. In 2008, venture capital investments were at a 10-year low, with VC fund managers either maintaining current investments or winding down their existing investment portfolios (that is, no new investments into companies). Total venture capital investments fell dramatically from a high of $3,456M invested in 2000, declining to a 10-year low of $570M in 2008.

As a result of this ongoing decline in investment capital, innovative Ontario companies have had to look outside the province for investment. To address this challenge, in 2006, the Government of Ontario announced it would introduce a venture capital initiative to address this need. Following consultation with the venture capital industry and an examination of best practices in over 30 jurisdictions, the Ontario Venture Capital Fund (OVCF) was launched in June 2008.

The Ontario Venture Capital Fund

The OVCF is a limited partnership between the Ontario government and leading institutional investors to invest primarily in Ontario-focused venture capital and growth funds that support innovative, high growth companies.

In addition to the Government of Ontario, the participating institutional investors are: TD Bank, OMERS Capital Partners, RBC Capital Partners, Business Development Corporation and Manulife Financial.

The OVCF has been designed to foster innovation and investment in Ontario by enhancing long-term investment returns and contributing to the creation of a globally competitive and self-sustaining venture capital industry.

The Fund is focused on building a portfolio comprised principally of Ontario-based and Ontario-focused venture capital and growth-oriented fund investments and direct co-investments.

Through its disciplined focus on generating top-tier returns and fostering the development of best-in-class fund managers, the OVCF serves as a new and important catalyst in ongoing efforts to create a profitable, globally competitive and self-sustaining venture capital industry in Ontario.

While the Fund is intended to produce attractive returns, it is expected to have a considerable impact on creating a virtuous cycle that will drive incremental investment in world-class Ontario-based technology and innovation in the long term.

The decline in the overall venture capital and private equity markets in the fall of 2008 highlighted the importance of the Ontario Venture Capital Fund as a key source of risk capital available to Ontario venture capital funds.

The June 2008 launch of the Ontario Venture Capital Fund was timely given the potential impact that a fall 2008 economic decline could have had on the initiative.

Together, the limited partners of the OVCF are working to raise new sources of venture capital to grow the next generation of innovative high growth companies.

OVCF Initiatives

A vibrant Ontario/Canadian venture capital industry is a key driver of the OVCF's ultimate returns and the long term ability to attract additional capital into the market, and thus benefit innovative, high potential companies.

As a result, TD Capital, the manager of the OVCF, is leveraging the Fund's unique scale and strategy to implement an integrated industry development program to accelerate overall industry evolution and promote the development of an innovation culture in Ontario.

These venture capital initiatives will be built upon three key levers:

1) Fostering understanding

Initiatives to foster understanding include an Ontario Venture Capital Fund website and a semi-annual E-Venture newsletter. The goal of these initiatives will be to:

- broadcast the objectives of, and information on, the Ontario Venture Capital program;
- ensure the OVCF's mission and successes are disseminated throughout the venture capital community both inside and outside of Ontario; and
- provide access to industry resources and best practices.

2) Role modeling

Proposed initiatives will include the development of industry leaders through investing in and supporting high potential Ontario Fund Sponsors as well as investing in an open and transparent way in accordance with stated principles of the OVCF program. The goal of these initiatives will be to:

- develop role models that exemplify the mindsets and behaviours that will support a sustainable venture capital industry in Ontario; and
- disseminate best practices in key areas such as fund structuring, the development of due diligence materials and fundraising.

3) Developing skills and talent

Proposed initiatives will include the development of top-tier venture capital/growth equity fund sponsors capable of generating superior returns, seminars aimed at continuing education and industry networking for venture capital fund sponsors (including a series of "Lunch and Learn" sessions), and an Annual CEO summit to support the portfolio companies of Fund Sponsors.

The goal of these initiatives will be to:

- expand the knowledge and skills of policymakers, investors, entrepreneurs and management teams;
- provide opportunities for education and networking; and
- leverage the scale of the OVCF to support high potential fund sponsors with initiatives they would not be able to implement on their own.

2008-09 Results

During OCGC's 2008-09 fiscal year, OVCF announced a commitment of up to $15 million to a leading Ontario-based venture capital fund, Georgian Partners Growth Fund I (Georgian Partners). This investment represents the implementation of OVCF's strategy of strengthening Ontario's venture capital industry by investing in funds with managers capable of generating top-tier returns.

The March 18, 2009 announcement of the Ontario Emerging Technologies Fund and venture-backed programs in other jurisdictions will be key sources of capital for venture-backed companies and venture funds, especially for venture capital funds looking for other investors to commit capital to their funds.

2009–10 Outlook

The Ontario Capital Growth Corporation plans to focus on the following:

- fulfilling its requirements in managing the interest of the Government of Ontario in the OVCF;
- enhancing internal controls, including organizational and procedural controls;
- establishing management committees of the Board; and
- developing a framework for performance measurement.

Financial Statements

Responsibility for Financial Reporting

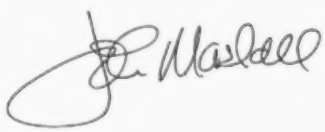
The accompanying financial statements of the Ontario Capital Growth Corporation have been prepared in accordance with Canadian generally accepted accounting principles of the Canadian Institute of Chartered Accountants and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 20, 2009.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee will assist the Board in carrying out these responsibilities. It will meet periodically with Management, internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by a third-party auditor, Gordon Hardcastle, Chartered Accountant. The Auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:



John Marshall
President and Chief Executive Officer

Gordon Hardcastle
CHARTERED ACCOUNTANT

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Auditor's Report

To the Directors of Ontario Capital Growth Corporation

I have audited the balance sheet of Ontario Capital Growth Corporation as at March 31, 2009 and the statements of income, changes in net assets and cash flows for the period then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2009 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Gordon Hardcastle.

Dorchester, Ontario
May 20, 2009

Chartered Accountant
Licensed Public Accountant

Ontario Capital Growth Corporation
Balance Sheet
March 31, 2009

ASSETS		
Cash	$	12,105
Marketable securities *(Note 4)*		90,550,243
Accounts receivable		182,738
Investment in Ontario Venture Capital Fund LP *(Note 5)*		1,757,551
	$	**92,502,637**
LIABILITIES AND NET ASSETS		
Accounts payable	$	8,928
NET ASSETS		
General fund		92,493,709
LIABILITIES AND NET ASSETS	$	**92,502,637**

ON BEHALF OF THE BOARD

Director

Director

See accompanying notes to the financial statements.

Ontario Capital Growth Corporation
Statement of Changes in Net Assets
Period Ended March 31, 2009

		2009
NET ASSETS - BEGINNING OF PERIOD	**$**	-
Net income for the period		92,493,709
NET ASSETS - END OF PERIOD	**$**	**92,493,709**

See accompanying notes to the financial statements.

Ontario Capital Growth Corporation
Statement of Income
Period Ended March 31, 2009

REVENUE		
Province of Ontario *(Note 6)*	$	92,103,406
Organizational revenue		182,738
Interest income		216,661
	$	**92,502,805**
EXPENSES		
Professional fees	$	5,154
Management fees		3,942
	$	**9,096**
NET INCOME	**$**	**92,493,709**

See accompanying notes to the financial statements.

Ontario Capital Growth Corporation
Statement of Cash Flows
Period Ended March 31, 2009

OPERATING ACTIVITIES		
Net income for the period	**$**	92,493,709
Changes in non-cash working capital:		
Accounts receivable	$	(182,738)
Accounts payable		8,928
	$	(173,810)
Cash flow from operating activities	**$**	**92,319,899**
INVESTING ACTIVITIES		
Marketable securities	$	(90,550,243)
Investment in Ontario Venture Capital Fund LP		(1,757,551)
Cash flow used by investing activities	**$**	**(92,307,794)**
INCREASE IN CASH FLOW	**$**	12,105
Cash - beginning of period		-
CASH - END OF PERIOD	**$**	**12,105**

See accompanying notes to the financial statements.

Notes to Financial Statements

1. Description of Business

The Ontario Capital Growth Corporation (OCGC) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act) which was proclaimed in force as of February 1st, 2009 as an agency of the Ministry of Research and Innovation (MRI). Its legislative objects are set out in the Act.

As required by the Management Board Secretariat Directives, OCGC and MRI have drafted a Memorandum of Understanding which outlines the operational, administrative, financial and other relationships that exist between OCGC and MRI.

OCGC's objects are:

(a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;

(b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in clause (a); and

(c) to carry out the other objects that are prescribed by the regulations.

OCGC is classified as an "Operational Enterprise" agency of the Government of Ontario pursuant to Treasury Board/Management Board of Cabinet's Agency Establishment and Accountability Directive.

OCGC is responsible for fulfilling the Government of Ontario's legal obligations as a Limited Partner (LP) in the Ontario Venture Capital Fund (OVCF or the Fund), an Ontario limited partnership, which is to receive, hold, and administer the government's LP interest in the limited partnership that was established to carry out the Fund.

The Fund is a joint initiative between the Government of Ontario and leading institutional investors. It is structured as a fund-of-funds that invests primarily in Ontario-based and Ontario-focused venture capital and growth funds, which in turn make investments in innovative, high-growth companies.

The Fund was established to provide investment funding in Ontario for venture capital and growth equity managers capable of generating superior returns by investing in enterprises with a view to creating large, globally competitive companies.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada).

OCGC operates in the same fiscal year, March 31, as the Ontario government.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are summarized below.

Revenue Recognition

Funding received represents the monies transferred from the Ontario Financing Authority (OFA) as described in Note 4.

Interest revenue is recognized as it is earned.

Organizational revenue represents a reimbursement of out-of-pocket expenses (including legal and other capital-raising expenses) incurred in connection with the organization of the Fund.

Expense Categories

Management fees represent fees paid to OFA for cash management and related services.

Professional fees relate to fees paid to third-party service providers.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial Instruments

Effective February 1, 2009, the corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under sections 1530-Comprehensive income, 3250-Equity, 3855-Financial instruments – measurement and disclosure, 3861-Financial instruments – presentation and disclosure and 3865-Hedges. These new Handbook sections, which apply to years beginning on or after October 1, 2007 provide requirements for the recognition, measurement, presentation and disclosure of financial instruments. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but are excluded from net income calculated in accordance with generally accepted accounting principles.

Under section 3855, all financial instruments are classified into one of five categories: held for trading, held-to-maturity investments, loans and receivables, available for sale financial assets or other financial liabilities. All financial instruments are measured in the opening balance sheet of the year of adoption at fair value.

The following is a summary of the accounting model the corporation has elected to apply to each of its significant categories of financial instruments:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Marketable securities	Available for sale
Accounts receivable	Loans and receivables
Investment in the Ontario Venture Capital Fund LP	Available for sale
Accounts payable and accrued liabilities	Other financial liabilities

Subsequent measurement and treatment of any gain or loss on the financial instruments is recorded as follows:

(a) Held for trading financial assets are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net income. Interest and dividends earned from held for trading assets are also included in income for the period.

(b) Loans and receivables are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income.

(c) Available for sale financial assets that have quoted market prices in an active market are carried at fair value. Unrealized gains and losses are included in the statement of changes in net assets until realized through disposition or impairment.

Available for sale financial assets that do not have quoted market prices in an active market are carried at cost. Gains and losses are included in the statement of income when realized through disposition or impairment.

d) Other financial liabilities are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income.

3. Financial Instruments

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The corporation's only accounts receivable was collected in full subsequent to March 31, 2009. The company is currently not exposed to any other credit risks.

Fair Value

The corporation's carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

The fair value of the investment in the Ontario Venture Capital Fund LP is not readily determinable and has been recorded at cost.

Currency Risk

Currency risk is the risk to the corporation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The corporation is not currently exposed to foreign currency exchange risk.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the corporation manages exposure through its normal operating and financing activities. The corporation is exposed to interest rate risk primarily through its short term investments. Risks from interest rate fluctuations are minimized due to the investments being for a term of one year or less.

4. Marketable Securities

Province of Ontario Treasury Bill, due April 9, 2009	$	8,263,185
Province of Ontario Treasury Bill, due June 9, 2009		10,003,491
Province of Ontario Treasury Bill, due September 8, 2009		56,431,470
Province of Ontario Treasury Bill, due March 10, 2010		15,852,097
	$	**90,550,243**

OCGC may temporarily invest any monies not immediately required to carry out its objects in:

(a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or

(b) interest-bearing accounts and short-term certificates of deposits issued or guaranteed by a chartered bank trust company, credit union or caisse populaire.

5. Investment in the Ontario Venture Capital Fund LP

The investment in the OVCF is carried at cost based on the capital calls made by the limited partnership. As the LP is not trading in the open market, the market value of the investment is not readily determinable.

6. Province of Ontario

In 2006, the Government of Ontario, as an initiative of the Ministry of Research and Innovation (MRI) announced its intention to participate in a venture capital initiative with other institutions, such initiative involving the creation of the OVCF, an Ontario limited partnership.

As part of the implementation of the initiative and in order to ensure that it was carried out on a timely basis, at the direction of the Minister of Finance the provincial commitment of $90 million for the OVCF was invested by OFA, in its own right and not as agent for MRI, as a limited partner in the Fund (Ontario's LP Interest), on an interim basis pending the establishment by MRI of OCGC, to receive and hold the investment in substitution for OFA and until such time as the interest in the Fund was assigned to the Corporation.

Further to the initiative, OFA and MRI entered into a memorandum of understanding, dated as of June 4, 2008 in respect of the financial operation and administration of Ontario's LP Investment for the period that OFA was the holder thereof and prior to the Assignment.

Pursuant to the Assignment Documents, Ontario's LP interest was assigned by OFA to OCGC on February 27, 2009. A summary of revenue and expenses incurred prior to the assignment is provided below.

Funding provided by the Province of Ontario	$	90,000,000
Interest earned to February 27, 2009		2,148,641
Management and other fees incurred to February 27, 2009		(45,235)
	$	**92,103,406**

7. Contractual Commitments

OCGC has the following contractual commitments:

a) In accordance with a Financial Service Agreement between the Ontario Financing Authority (OFA) and OCGC, OFA conducts investment and cash management services and activities for OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost-recovery basis; and,

b) Pursuant to the OVCF Limited Partnership Agreement, OCGC is committed to making capital contributions upon notice of capital calls.

Corporate Governance

Overview
OCGC is an agent of the Crown and is classified as an operational enterprise agency.

Corporate governance at OCGC will involve processes that permit the effective supervision and management of activities by senior management, its Audit Committee the Board of Directors, and the Minister of Research and Innovation. It includes identifying individuals and groups responsible for the Corporation's activities and specifying their roles. OCGC's governance framework will be based on Management Board of Cabinet's (MBC) Agency Establishment and Accountability Directive and fully described in its corporate governance policy.

Accountability
The Corporation's accountability structure flows from its governing statute, the Ontario Capital Growth Corporation, 2008, and from a Memorandum of Understanding between the Corporation and the Minister of Research and Innovation, as well as directives issued by Management Board of Cabinet (MBC) relating to Crown agencies. Together, these provide that the Minister of Research and Innovation reports and responds to the Legislative Assembly and Cabinet regarding OCGC.

The Chair of the Board of Directors is accountable to the Minister for the Corporation's performance in fulfilling its mandate. The Board of Directors is appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Research and Innovation and is accountable to the Minister, through the Chair, for supervising the management of the Corporation's business.

The Chief Executive Officer is accountable to the Chair of the Board for the day-to-day management of OCGC's operations and the management and supervision of staff. Staff are appointed pursuant to the Public Services Act and are subject to MBC policies and directives applicable to public servants. Staff/senior management are accountable to the President/CEO.

Roles and Responsibilities
The Minister of Research and Innovation maintains communications with the Corporation through the Chair regarding government policies, expectations and new directions relevant to OCGC. The Minister is responsible for reviewing and approving the annual business plan and recommending the plan for approval to MBC every three years or as otherwise required by government directives.

The Chair, who is also the Deputy Minister of Research and Innovation, provides leadership and direction to the President/CEO and the Board and ensures the Corporation complies with government policies and directives. The President/CEO is responsible for the ongoing activities of the Corporation and ensures that policies and procedures, including financial reporting, remain relevant and effective.

The Board of Directors is currently comprised of public servants. The Board plans to meet on a quarterly basis and will receive regular reports from the President/CEO concerning the Corporation's operations and its compliance with applicable laws and policies.

The Audit Committee of the Board will approve an annual internal audit plan and liaise as necessary with the Corporation's internal and external Auditors and the Auditor General of Ontario regarding financial reporting and controls. It also intends to review financial policies and financial statements and recommend them to the Board.

Financial Reporting

OCGC prepares annual financial statements in accordance with Canadian generally accepted accounting principles. They are reviewed and recommended by the Audit Committee and approved by the Board of Directors. Unaudited financial statements will be prepared and presented to the Audit Committee and the Board as required. The annual financial statements are audited by a third-party auditor (selected through a competitive process), who expresses an opinion on whether they present the financial results fairly and in accordance with Canadian generally accepted accounting principles. The findings are reviewed by the Audit Committee and the Board of Directors. These audited financial statements are tabled in the Ontario Legislature as part of OCGC's Annual Report and are included as a schedule in the Public Accounts of the Province.

Internal Controls

Management is responsible for establishing and maintaining adequate internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. These controls will:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions;
- provide reasonable assurance that transactions are executed in accordance with authorizations; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized transactions that could have a material effect on the financial statements.

OCGC is currently in the process of further establishing its internal controls. In meeting its responsibility for the reliability and timeliness of financial information, OCGC will use a comprehensive system of internal controls, including organizational and procedural controls. The complete system for internal controls is expected to encompass:

- written communication of policies and procedures governing corporate conduct and risk management;
- comprehensive business planning;
- segregation of duties;
- responsible delegation of authority and personal accountability;
- careful selection and training of personnel;
- regularly updated accounting policies.

As part of its annual business plan, OGCG will, as applicable, conduct a risk assessment of corporate-wide risks and develop appropriate mitigation strategies.

It is anticipated that the Ontario Internal Audit Division of the Ministry of Finance will develop an annual internal audit plan based on its risk assessment and input from OCGC Audit Committee and OCGC management. The internal audit plan will be presented for review and approval by the OCGC Audit Committee. The Internal Audit Division reports to the OCGC Audit Committee on the results of their audit work in OCGC.

Board of Directors

The following individuals were members of the Board of Directors for the fiscal year 2008-2009.

George Ross*

Chair, was appointed February 2009. Current term to February 2012.

Mr. Ross was appointed Deputy Minister of Research and Innovation (MRI) in January 2008.

Previously, he held the dual position of Assistant Deputy Minister and Chief Operating Officer of MRI.

Before joining MRI, Mr. Ross was the Assistant Deputy Minister of Field Services at the Ministry of Natural Resources (MNR).

He holds a Bachelor of Environmental Studies from the University of Waterloo and certificates in Business Administration and Human Resources Management from Ryerson and Queen's University. He is also a graduate of the advanced program in Human Resources Management at the Rotman School of Business at the University of Toronto.

Tony Rockingham*

Vice-Chair, was appointed February 2009. Current term to February 2012.

Mr. Rockingham is the Assistant Deputy Minister, Innovation and Commercialization Division, Ministry of Research and Innovation.

Prior to his current position he was the Assistant Deputy Minister in charge of conservation and strategic policy at the Ministry of Energy.

He studied Industrial Engineering at the University of Toronto and earned a Ph.D in Mechanical Engineering from the Imperial College of Science and Technology in London, England.

Gadi Mayman*

First appointed February 2009. Current term to February 2012.

Mr. Mayman is the Chief Executive Officer of the Ontario Financing Authority.

Mr. Mayman is responsible for the Province of Ontario's medium- and long-term borrowing strategy, banking relationships and policies related to debt management. He advises the Province on the use of the Provincial credit and relations with capital markets and investors. He is also Chief Executive Officer of the Ontario Electricity Financing Corporation (OEFC), responsible for its day-to-day operations.

Mr. Mayman is a director on the board of Ontario Infrastructure Projects Corporation (OIPC). He is also Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Inc. (OPG) Committee.

Prior to joining the Ontario Ministry of Finance in 1991, he worked as a treasury officer at the Export Development Corporation (EDC) in Ottawa for three years and in the International Division of the Toronto Dominion Bank for five years.

Mr. Mayman received a B.Sc. in Industrial Engineering from the University of Toronto in 1981, and an M.B.A. from the University of Western Ontario in 1988.

Tony Vander Voet*

Appointed February 2009. Current term to February 2012.

Mr. Vander Voet is the Acting Assistant Deputy Minister, Science and Research Division, Ministry of Research and Innovation.

Since 1980, he has held a number of roles of increasing responsibility in several Ontario government ministries and agencies, including the Ministry of Northern Development and Mines, the Ontario Science Centre, the Ministry of Culture, Tourism and Recreation, the Ministry of Solicitor General and Corrections, and the Ministry of Economic Development and Trade.

He received his BSc and MSc in Chemistry from the University of Alberta. He holds a PhD in Chemistry from the University of Toronto.

* Member, Audit Committee. During the OCGC start-up phase, the directors of the board all sit as members of the Audit Committee; this approach will be evaluated in the future as necessary.

Risk Management Policies and Procedures
The Board intends to work to establish management committees which will establish and approve risk management policies and procedures, as well as performance measures for the Corporation.

These policies will be developed following the guidelines and directives of regulatory bodies, which may include but not be limited to the Office of the Superintendent of Financial Institutions of Canada, the Bank for International Settlements and by consulting with Canadian bank representatives on their risk management practices.

The Board and management committees will also monitor performance.

Operational Risk
Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. OCGC will manage operational risk through applicable reviews and improvements of processes, documented policies and procedures, data professing systems, contingency plans, and staff training.

OCGC intends to develop a business continuity plan (which covers the Corporation's operations), which will be updated as necessary to facilitate the continuation of essential operational functions with a minimum of disruption in the event of an emergency.

Policy on Risk Management Reporting
The Board intends to hold regular quarterly meetings at which the Directors will be kept informed of the Corporation's activities:

- The President/CEO of OCGC will provide the Corporation's Board with a progress report on the three-year plan, staffing and other administrative and operational matters. The President/CEO will also report on compliance with applicable government directives as applicable.
- The President/CEO will report on program exposures and performance as well as any exceptions to policies.

Additional Sources of Information

Internet Sites

Ontario Capital Growth Corporation	www.ontario.ca/ocgc
Ministry of Research and Innovation	www.ontario.ca/innovation
Ontario Venture Capital Fund	www.ovcf.com

Inquiries

For general inquiries and information please contact OCGC at:

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on our website at: www.ontario.ca/ocgc

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